

- Worker's compensation payments—to a member are not payments for services rendered and are not reportable. This is true whether the payments come from the Department of Labor and Industries or from a self-insured employer.

**Note:** Some employers have an employee on unpaid disability leave submit his or her worker's compensation payments to the employer and then issue the employee a check through their payroll system. This exchange does not change the nature of the worker's compensation payments and does not make the payment reportable.

- Retirement Bonus or Incentive—a payment made to an employee as a bonus or incentive to retire or terminate is not a payment for services rendered and is not reportable.
- Severance pay—not earned over time—severance pay negotiated, because of a termination settlement or agreement, is not earned for services rendered and is not reportable.

Example: At the time of an employee's termination, the employer agrees to pay a lump sum payment equal to two months salary. The employer identifies this payment as "severance pay." Because the payment was not earned for services rendered, it is not reportable compensation.

- Optional payments—if an employee can receive an additional payment conditioned upon the employee taking some action in addition to providing service to the employer, the payment is not for services rendered and is not reportable.

Example: An employer offers to make a contribution to a deferred compensation plan on behalf of an employee only if the employee elects to have a portion of his or her salary deferred. Because the employee does not have an absolute right to receive the contribution based solely on the rendering of service, the payment is not reportable compensation.

- Fringe Benefits—payments made by an employer to a third party to provide benefits for an employee are not part of the employee's salary or wage and are not reportable. Examples of these payment types are insurance premiums and employer retirement contributions.

---

## Nonmoney Maintenance Compensation

---

Employees may receive nonmoney items from employers that may be a form of payment for services rendered. “Nonmoney maintenance compensation” means the fair market value of materials legally furnished by an employer to an employee or the employee’s dependents for *personal use*. If an employer provides materials for an employee’s personal use, the value of that use is nonmoney maintenance compensation and may be reportable for TRS Plan 1 members.

**Example:** An employer leases an apartment for \$700 per month. The employer charges an employee \$300 per month to use the apartment for temporary living quarters. Because the employee uses the apartment for personal rather than business purposes, the amount by which the lease value exceeds his payment is nonmoney maintenance compensation. His employer must report \$400 per month to DRS as reportable compensation.

**Note:** Nonmoney maintenance compensation is not reportable for TRS Plan 2 or TRS Plan 3 members.

---

## Excess Compensation

---

Some types of reportable compensation for TRS members qualify as “excess compensation” if included in the AFC period used in the calculation of a retirement benefit. Excess compensation is defined by statute in RCW 41.50.150.

If a payment qualifies as excess compensation, the employer is billed for the resulting increase in the retiree’s benefit to offset the increased cost to the trust funds. The employer bill is based on the present value of the increase to the retiree’s benefit. Present value is calculated using actuarial tables developed by the Office of the State Actuary and adopted into WAC by DRS. Excess compensation for TRS Plan 1 members includes:

- A cash out of annual leave in excess of 30 days.  
Cash out means:  
  
Any payment added to salary or wages concurrent with a reduction of annual leave; or  
  
Any payment made instead of an accrual of annual leave.

Example: An employer's collective bargaining agreement provides that once an employee accrues 30 days of annual leave, the employee will not earn any additional annual leave. Instead, the employer will pay the person each month for the value of the leave the person would have accrued that month. For instance, if the employee earned two days of annual leave each month and already had 30 days of annual leave, the employer would pay the employee for an additional two days each month. The employee's leave balance would remain at 30 days. The payment qualifies as a cash out and, to the extent it is used during the AFC period, is excess compensation.

- Personal leave cash out payments are excess compensation to the extent they are included in the calculation of the member's retirement benefit.
- A cash out of any form of leave other than annual is excess compensation to the extent they are included in the calculation of the member's retirement benefit.

**Note:** Payment of double time and a half for work on a holiday does not violate this provision. The standard payment for working on a holiday is compensated at time and a half. The standard payment for the holiday, plus time and a half for working after regular work hours, equals double time and a half. The employee is not earning more than twice his or her regular rate of pay for working on the holiday.

- Any other termination or severance pay. Note that a termination or severance payment that does not qualify as reportable compensation would not be excess compensation since it is not used in the calculation of the retirement benefit.
- Payment for extra work done in which the assignment of extra duties was based upon the employee's notification of intent to terminate or retire. (See the "Retirement Bonus or Incentive" paragraph on page 4—7 TRS.)

Excess compensation for TRS Plan 1, Plan 2 and Plan 3 members include:

- If a portion of an allowance or reimbursement qualifies as reportable compensation; i.e., car allowance, that portion is excess compensation. Generally, allowances and reimbursements do not qualify as reportable compensation.
- Any payment (overtime) that is greater than twice the regular daily or hourly rate of pay.

**Note:** Refer to DRS Notices 84-002, 95-010 and 98-001 for more information about excess compensation.

---

## Reportable Compensation Table

---

The table provided on Pages 4—11 TRS and 4—12 TRS is a quick reference guide to help characterize payments for TRS Plan 1, Plan 2 and Plan 3. The short answer refers you to the WAC that states why the payment does or does not qualify as reportable compensation. Review the full text of the WAC to be sure you have correctly identified the payment in question.